Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

CONFIDENTIAL

PAGE 01 TEL AV 09818 021748Z
ACTION NEA-10

INFO OCT-01 ISO-00 ACDA-12 EB-08 COME-00 OMB-01 TRSE-00
CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03 NSAE-00
NSC-05 PA-01 SP-02 SS-15 ICA-11 MCE-00 SES-02
SAA-01 AID-05 /093 W
----------053261 031317Z /47
R 021347Z AUG 78
FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC 4594

C O N F I D E N T I A L TEL AVIV 9818

E.O. 11652: GDS
TAGS: EAIR, ECON, ETRD, EIND, MASS
SUBJECT: ISRAEL AIRCRAFT INDUSTRIES (IAI)

1. EMBASSY OFFICERS ACHTERHOF AND KULICK ACCOMPANIED JOYCE STARR AT HER MEETING WITH OFFICIALS OF ISRAEL AIRCRAFT INDUSTRIES (IAI) ON JULY 30 TO DISCUSS CURRENT IAI OPERATIONS AND FUTURE DEVELOPMENT PLANS, AS WELL AS TO VIEW IAI FACILITIES.

2. MR. DAN MOZES, VICE PRESIDENT FOR FINANCE, GAVE US AN OVERVIEW OF IAI OPERATIONS. IAI IS ISRAEL'S SECOND LARGEST INDUSTRIAL ESTABLISHMENT (THE KOOR CONGLOMERATE IS THE LARGEST) AND EMPLOYS 20,000 WORKERS, NOT INCLUDING SUBCONTRACTORS. HE STATED THAT 50 PERCENT OF CURRENT PRODUCTION WAS EXPORTED, OF WHICH 60 PERCENT WAS MILITARY-RELATED AND 40 PERCENT CIVILIAN. HE MENTIONED THAT 1978 EXPORTS WOULD BE AROUND $225-250 MILLION AND THAT NEXT YEAR'S EXPORTS WOULD REACH $450 MILLION. HE SAID THAT IAI NOW HAD AN ORDER BOOK OF OVER $1 BILLION. OF TOTAL PRODUCTION, DOMESTIC AND EXPORT, THE PERCENTAGES FOR MILITARY USE AND CIVILIAN WERE ABOUT 70 AND 30 RESPECTIVELY.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TEL AV 09818 021748Z

3. MOZES AND OTHER IAI OFFICIALS WERE PREDICTABLY CRITICAL OF US PROHIBITIONS OF KFIR SALES TO ECUADOR AND THE REST OF LATIN AMERICA,SAYING THAT THE EMBARGO HELPED ONLY THE FRENCH AIRCRAFT INDUSTRY AND DID NOT ARREST THE ARMS RACE. MOZES ALSO CRITICIZED US HESITANCY OVER APPROVAL OF KFIR SALES TO TAIWAN AND VOICED THE SUSPICION THAT THE NEWS OF THE PROSPECTIVE

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

SALE WAS INTENTIONALLY LEAKED IN WASHINGTON IN ORDER TO PERMIT ARAB PRESSURE ON THE ROC TO KILL THE DEAL. IN FACT, MOZES EVEN SUGGESTED, ALTHOUGH WITH NO GREAT CONVICTION, THAT SOME OF THE RESTRICTIONS ON ISRAEL'S THIRD-PARTY SALES MIGHT BE INTENDED TO WEAKEN IAI AND PREVENT ISRAEL'S INDEPENDENCE FROM THE US. HE WAS ASSURED BY EMBOFFS THAT THESE RESTRICTIONS WERE EXTENSIONS OF GENERAL ADMINISTRATION POLICIES AND WERE IN NO WAY DIRECTED SPECIFICALLY AT ISRAEL.

4. MR. MOZES ALSO STATED THAT, WHILE IT WAS POSSIBLE FOR IAI TO DEVELOP AN ENGINE AND AIRFRAME FOR A STATE-OF-THE-ART MILITARY AIRCRAFT, ISRAEL DID NOT HAVE THE MONEY, PEOPLE, OR THE TIME TO DEVELOP BOTH THE ENGINE AND AIRFRAME FOR SUCH AN AIRCRAFT. IN ADDITION, SUCH AN EFFORT WOULD FORECLOSE OTHER IMPORTANT IAI PRODUCT DEVELOPMENTS. HE SAID, HOWEVER, THAT IAI HAD WORKED UP PRELIMINARY DRAWINGS FOR AN AIRFRAME BASED ON THE F-100 AND SIMILAR TYPE ENGINES, BUT EVEN DEVELOPMENT OF JUST THE AIRFRAME IS HIGHLY SPECULATIVE.

5. DURING THE TOUR OF IAI PRODUCTION FACILITIES, THE PRODUCTION RATE OF THE WESTWIND (EXECUTIVE AIRCRAFT) WAS GIVEN AT THREE PER MONTH AND THE ARAVA (MILITARY UTILITY TRANSPORT) AT TWO A MONTH. ACCORDING TO THE DIRECTOR OF CORPORATE MARKETING, SALES OF THE ARVA HAVE PICKED UP THE IN THE LAST THREE TO FOUR MONTHS
CONFIDENTIAL

,
PRINCIPALLY IN LATIN AMERICA. HE WAS HOPEFUL THAT THE AFRICAN MARKET WOULD OPEN UP OVER THE NEXT FEW YEARS, AS AFRICANS BECOME "MORE DISILLUSIONED" WITH THE ARABS. SALES OF THE WESTWIND HAVE BEEN ALMOST EXCLUSIVELY TO THE UNITED STATES, WHERE IAI CLAIMS TO HAVE PICKED UP 12 PERCENT OF THE MARKET FOR SMALL EXECUTIVE JETS. OUR HOST WAS UNWILLING TO GIVE US THE PRODUCTION RATE OF THE KFIR, BUT STATED THAT THE GABRIEL MISSILE SYSTEMS DELIVERIES HAD NOW PASSED THE $300 MILLION FIGURE.
LEWIS

NNN

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY AIRCRAFT, SALES
Control Number: n/a
Copy: SINGLE
Draft Date: 02 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TELAV09818
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780318-0266
Format: TEL
From: TEL AVIV
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197808105/aaaadkfk.tel
Line Count: 105
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b72d0358-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 10 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1555325
Secure: OPEN
Status: NATIVE
Subject: ISRAEL AIRCRAFT INDUSTRIES (IAI)
TAGS: EAIR, ECON, ETRD, EIND, MASS, ISRAEL AIRCRAFT INDUSTRIES
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/b72d0358-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014